

**CALIFORNIA RESOURCES AGENCY
COASTAL IMPACT ASSISTANCE PROGRAM
PROJECT PROPOSAL FORM**

Department: California Coastal Commission, Monterey Bay National Marine Sanctuary (MBNMS)
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Title of project: Review of OCS Oil and Gas Lease Suspension, Exploration and Development Plan and other Energy and Ocean Resource Projects
Project location: San Francisco, Coastal Commission offices
Total cost: \$300,000
Funding request: \$300,000

MISSION

To ensure comprehensive and coordinated management, conservation and enhancement of California's ocean and coastal resources for their intrinsic value and for the benefit of current and future generations.

GOALS: Four goals have been established by the State of California to achieve this mission.

Goal 1: Stewardship. To assess, conserve, and manage California's ocean and coastal resources and the ecosystem that supports those resources.

Goal 2: Economic Sustainability. To encourage environmentally sound, sustainable, and economically beneficial ocean and coastal resource development activities.

Goal 3: Research, Education and Technology. To advance research, educational programs, and technology developments to meet future needs and uses of coastal and ocean resources.

Goal 4: Jurisdiction and Ownership. To maximize California's interests in coastal watersheds, State Tidelands, the Territorial Sea, and the Exclusive Economic Zone.

Overview:

In *California v. Norton* the district court ordered the Minerals Management Service (“MMS”) to provide to the California Coastal Commission a determination pursuant to section 307(c)(1) of the federal Coastal Zone Management Act (“CZMA”) and its implementing regulations (15 CFR Part 930, Subpart C) that the MMS’s grant of suspensions of 36 oil and gas leases on the Outer Continental Shelf (“OCS”) off the coast of California is consistent with California’s Coastal Management Program (“CCMP”). These lease suspensions extend the primary term of the leases, which would have otherwise expired.

To comply with the court order, the MMS has stated it will submit to the Commission 10 separate consistency determinations (“CDs”) to address proposed suspensions of the subject 36 leases. Upon submittal of a complete CD, the Commission has only 60 days (and the possibility of a 15-day extension) to take action.

Further, if the Commission concurs in a CD for a lease suspension, the lessee must then submit forthwith (as an MMS requirement of lease suspension approval) to the MMS and the Commission an exploration plan (“EP”) or development and production plan (“DPP”)² to either explore or develop the lease area. The lease suspensions, EPs and DPPs raise many significant issues under the Coastal Act and therefore require complex, time-consuming technical analyses.

In addition, during the same time frame, the Commission anticipates the submittal of other large, complex energy and ocean resource-related projects. Five important categories of expected submittals are: (1) power plant projects; (2) proposals to develop state tideland oil and gas reserves from existing federal platforms; (3) review of energy elements of amended local coastal programs (“LCPs”); (4) fiber optic cables; and (e) proposals for desalination facilities.

Submittal of the CDs, EPs and DPPs, in combination with the other large projects noted above, will double the annual workload of the Commission’s Energy and Ocean Resources Unit. Workload for the Commission’s Oil Spill Program, Water Quality Program, Technical Unit staff, legal staff and support staff will also increase. The Commission may also need assistance from technical consultants.

Project Summary:

The Coastal Commission requests \$300,000 to be used for temporary help (personnel services of three Coastal Program Analyst II positions) to review energy and ocean resource-related projects and to backfill for experienced coastal analysts needed to carry out the OCS lease suspensions, and exploration and development plan reviews. Each analyst will be assigned to one or more of the tasks described below.

² A lessee will submit a DPP after exploration of the lease area is completed and commercial quantities of oil and gas exist.

Why Complete This Review:

In *Norton v. California* the district court ordered the MMS to provide to the Coastal Commission a determination pursuant to section 307(c)(1) of the federal Coastal Zone Management Act ("CZMA") that the MMS's grant of suspensions of the 36 OCS leases is consistent with California's Coastal Management Program. The MMS is submitting to the Coastal Commission 10 separate consistency determinations to comply with the court order. Upon submittal of a complete consistency determination, the Coastal Commission has only 60 days (and the possibility of a 15-day extension) to take action.

Consistency with Mission and Goals:

The proposed request to hire staff to review energy and ocean resource-related projects and to backfill for experienced coastal analysts needed to carry out the reviews of OCS lease suspensions, exploration plans and development and production plans is consistent with the Coastal Impact Assistance Program goals. As described herein, additional Coastal Commission staff will ensure comprehensive and coordinated management, conservation and enhancement of California's ocean and coastal resources for their intrinsic value and for the benefit of current and future generations. Specifically, the proposed work will further coast and ocean stewardship (Goal 1) by assessing, conserving, and managing California's ocean and coastal resources and the ecosystem that supports those resources. Next, the proposed project will result in economic sustainability (Goal 2) by encouraging environmentally sound, sustainable, and economically beneficial ocean and coastal resource development activities. Finally, the Coastal Commission's proposal is consistent with the jurisdiction and ownership goal (Goal 4) because the work program will maximize California's interests in coastal watersheds, State Tidelands, the Territorial Sea, and the Exclusive Economic Zone.

Work Program:

Task 1 -- Review of 10 Lease Suspension Consistency Determinations ("CDs")

The review of a complex consistency determination ("CD") includes the following key elements:

- Internal meeting to identify all coastal issues to be evaluated in a CD submittal for a lease suspension.
- Draft letter to MMS identifying those coastal issues that must be analyzed as part of the MMS's CD to the Coastal Commission.
- Review historic Commission records on the subject lease sales including, but not necessarily limited to, all environmental information prepared in support of the lease sale (e.g., an EIS prepared under the National Environmental Policy Act).
- Review the CD for completeness under 15 CFR 930.39.
- If necessary, draft incompleteness letter to MMS.
- Review for completeness any additional information submitted by the MMS in support of the CD.

- Review and evaluate the CD for adequacy of environmental information. This includes review by the Commission's technical staff.
- If necessary, draft letter to MMS detailing additional information the Commission needs in order to review the lease suspensions against the standards of the CCMP.
- Coordinate and meet with non-governmental organizations ("NGOs"), interested members of the public, and other local, state and federal agencies with jurisdiction or interest in the lease suspensions.
- Meet with MMS after the Commission staff reviews the submittal for its adequacy.
- Prepare a written staff recommendation for the Commission's consideration of the CD at a regularly scheduled Commission hearing.
- Staff recommendation reviewed by Attorney General's Office.
- Meeting with MMS following release of the staff recommendation and prior to Commission hearing.
- Review all comment letters from other agencies, NGOs, and other interested parties on the staff recommendation. Meet with commenters.
- If necessary, prepare an addendum on the staff recommendation. Prepare a staff presentation for the public hearing.
- Commission public hearing(s) on the CD.
- Possible revised findings and/or second public hearing.

Task 2 -- Federal Consistency Review of OCS Exploration Plans ("EPs") and Development and Production Plans ("DPPs")

Following or concurrent with the review of the consistency determinations for the 36 OCS lease suspensions, each operator is to submit to the MMS either a plan to explore (an "EP") or a plan to develop (a "DPP") each lease area. Each EP and DPP requires federal consistency review by the Coastal Commission pursuant to 15 CFR Part 940, Subpart E. The proposed EPs and DPPs also raise significant issues under the Coastal Act and require complex and time-consuming technical analyses.

The Coastal Commission is aware of three projects in the near future that will require the Coastal Commission's review: (a) a proposed EP for the Cavern Point Unit; (b) revisions to the DPPs for existing Platforms Hermosa, Harvest and Hidalgo for the development of the Rocky Point Unit; and (c) review and comment on an environmental impact statement ("EIS") prepared by the MMS to use a mobile semisubmersible drilling vessel to drill 4-5 delineation wells (a type of exploratory well) at lease areas offshore of northern Santa Barbara County. Concurrent with the review of the EIS, the lessees will be preparing either new EPs, or revisions to existing EPs, to carry out the proposed delineation drilling using a mobile drilling vessel.

The review of EPs and DPPs involve the same elements as described above under Task 1.

Task 3 -- Power Plant Project Reviews

The Coastal Commission is currently reviewing, and will continue to review over the next year, proposed upgrades to power plants located in the coastal zone. The Coastal Commission does not have coastal permit jurisdiction over power plant projects 50 megawatts or greater;

instead, the California Energy Commission has sole licensing and permitting authority. However, Coastal Act § 30413(d) requires the Coastal Commission to submit to the California Energy Commission a report that analyzes the project's conformity with the policies of the Coastal Act and certified local coastal program.

The Coastal Commission anticipates reviewing several power plant projects larger than 50 megawatts over the next year pursuant to § 30413(d). In addition, there may be several proposals of less than 50 megawatts that would undergo the normal review process for a coastal development permit. A review of a power plant project under Coastal Act § 30413(d) includes the following key elements:

- Review and comment on the Application for Certification ("AFC") submitted to the Energy Commission.
- Evaluate the adequacy of data provided with the AFC and developing requests for additional data or studies, if necessary.
- Review and comment on Energy Commission Preliminary Staff Assessments and Final Staff Assessments.
- Attend workshops and public hearings on aspects of the proposals affecting coastal resources.
- Produce a report on the proposal's conformity with the Coastal Act for submittal to the Energy Commission to consider as part of its evidentiary hearings.
- Projects approved by the Energy Commission may also require ongoing Coastal Commission staff involvement such as site visits, review and comment on the adequacy of study designs, assessing data collected pursuant to monitoring requirements, evaluating the success of mitigation measures, and other activities.

Task 4 -- Review Proposals to Use Federal Platforms to Access Oil and Gas Underlying State Tidelands

Torch Operating Company and Carone Oil Company each proposes to use an existing federal platform to access California State tideland oil and gas reserves. Torch Operating Company proposes to use extended reach drilling technology at Platform Irene to drill into Tranquillon Ridge, an oil and gas accumulation underlying federal and state waters. Carone Oil Company proposes to use extended reach drilling at Platform Hogan to access oil and gas underlying State Lease PRC-3133.

Each project will require federal consistency review by the Coastal Commission and submittals of a coastal development permit application. Elements of a federal consistency review are described under Task 1. The review of a coastal development permit application typically includes the following key elements:

- Meet with applicant to discuss proposed project (a pre-application meeting).
- Review coastal development permit application and supporting materials within 30 days of receipt.
- If necessary, write to the applicant an application incompleteness letter.

- Review for completeness additional material submitted in support of an application.
- Review and comment on an environmental document prepared under the California Environmental Quality Act for the proposed project.
- Coordinate and meet with NGOs, interested members of the public, and other local, state and federal agencies with jurisdiction or interest in the project.
- Prepare a written staff recommendation for the Commission's consideration of the permit application.
- Legal review of the staff recommendation.
- Meet with applicant following release of the staff recommendation and prior to Commission hearing.
- Review all comment letters from other agencies, NGOs, and other interested parties on the staff recommendation. Meet with commenters.
- If necessary, prepare an addendum on the staff recommendation. Prepare a staff presentation for the public hearing.
- Prepare presentation to the Coastal Commission.
- Commission public hearing(s) on the permit application (to be scheduled within 49 days of a complete permit application).
- Possible revised findings and/or second public hearing.
- Monitor condition compliance.

Task 5 – Review Energy Elements of Amended Local Coastal Programs (“LCPs”)

A number of local governments, including Monterey County, the City of Carpinteria and Santa Barbara County, are in the process of updating their certified local coastal programs (“LCPs”). Each update will be submitted to the Coastal Commission in the form of an LCP amendment. The Coastal Commission’s Energy and Ocean Resources Unit will review any proposed changes to the energy element of each LCP amendment. We anticipate Santa Barbara County’s LCP amendment to contain significant oil and gas policy revisions.

The review of an LCP amendment includes the following key elements:

- Review local government action and proposed amended energy elements for completeness.
- Write completeness letter within 10 working days of submittal.
- Review and analyze each LUP provision against the Chapter 3 policies of the Coastal Act.
- Review and analyze each IP component for conformance with the LUP.
- Coordinate with other relevant agencies.
- Coordinate with Commission district office staff.
- Meet with local government staff to negotiate any resolution of conflicts.
- Prepare energy section of staff report for Commission action, including suggested modifications.
- Respond to comments from interested parties.
- Prepare addendum to staff report, if necessary.

- Prepare presentation to Commission.
- Commission hearing on LCP amendment (to be scheduled within 90 days of complete LCP submittal (with possibility of 1-year extension)).
- Transmit Commission action to local government.

Task 6 -- Review Fiber Optic Cables

Tycom is proposing to land two offshore fiber optic cables at the City of Hermosa Beach. That project will require a coastal development permit from the Coastal Commission. The City of Hermosa Beach is currently preparing an environmental impact report ("EIR") for the proposed project. The project raises significant Coastal Act issues and concerns, including potential adverse impacts to hard bottom, the commercial fishing industry, and beach users. This application will be submitted to the Commission in late 2001.

The tasks required in reviewing a coastal development permit are described in Task 4.

Task 7 – Review Desalination Facilities

The Coastal Commission anticipates processing several coastal development permit applications over the next year for desalination facilities. We are aware of at least a dozen proposals ranging from relatively small facilities serving a single business or small community to facilities proposing to produce up to 50 million gallons per day of potable water. Staff review of these facilities will require evaluation of various technical elements, such as the impacts associated with the siting of the facility and its intake and outfall locations, the effects of brine discharges on marine resources, and an assessment of the growth-inducing impacts of such facilities.

The tasks required in reviewing a coastal development permit are described in Task 4.

Budget:

Work Program to be completed over a three-year period.

Personnel Services*	Cost
Temporary 3.0 PY CPA II Salary	\$185,500
1.0 Environmental Technical Services Intern	\$24,000
0.25 Staff Counsel	\$24,500
0.5 Office Technician	\$20,000

Subtotal Personnel Services	\$254,000
OE &E+	\$37,000
Travel	\$9,000
PROJECT TOTAL	\$300,000

*Personnel benefits included. MONEY ALLOCATED TO PERSONNEL SERVICES COULD ALSO BE USED TO PAY FOR SPECIAL TECHNICAL CONTRACTS ASSOCIATED WITH THE REVIEW OF OCS LEASE SUSPENSIONS, EXPLORATION PLANS, DEVELOPMENT AND PRODUCTION PLANS AND OTHER ENERGY AND OCEAN RESOURCE-RELATED PROJECTS.

+OE&E include printing, postage, data processing, facilities operation, and equipment.